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United States Senate

COMMITTEE ON ARMED SERVICES WASHINGTON, DC 20510-6050

, RICHARD D. DIBOBES, STAFF DIRECTOR JOHN A. BONSELL, MINORITY STAFF DIRECTOR

February 8, 2013

The Honorable Jim Inhofe Ranking Minority Member Committee on Armed Services United States Senate

Dear Jim:

I read with some concern a February 6, 2013, letter that you signed with 25 other Republican Senators, demanding that former Senator Chuck Hagel provide additional financial disclosure information in connection with his nomination to serve as Secretary of Defense. This letter appears to insist upon financial disclosure requirements that far exceed the standard practices of the Armed Services Committee and go far beyond the financial disclosure required of previous Secretaries of Defense.

Our committee has a well-defined set of financial disclosure and ethics requirements which apply to all nominees for civilian positions in the Department of Defense. We require each nominee to provide us with the following:

- a copy of the Nominee Public Financial Disclosure Report required by the Ethics in Government Act – OGE Form 278;
- a response to a standard committee questionnaire, which includes questions on future employment relationships, potential conflicts of interest, personal financial data, and foreign affiliations; and
- a formal ethics agreement, which outlines the steps the nominee will take to avoid any potential conflict of interest, including a commitment by the nominee to divest DOD contractor stocks within 90 days of appointment to office, avoid buying DOD contractor stocks while in office, and resign from non-Federal boards and activities.

Before these materials are provided to the committee, they are reviewed by the U.S. Office of Government Ethics (OGE) and the DOD General Counsel's office – both of which are familiar with the unique conflict of interest requirements imposed by our committee – to ensure that the required disclosures of information meet our standards. The leader of each of these offices sends us a letter certifying that the office has reviewed the financial disclosure and determined that the nominee will be in compliance with applicable laws and regulations governing conflicts of interest. Our majority and minority counsels review these materials and work together, through the DOD General Counsel's office, to address any questions that may arise about the completeness of the materials provided or the nominee's compliance with our requirements.

We have applied these disclosure requirements and followed this process for all nominees of both parties throughout the 16 years that I have served as Chairman or Ranking Minority Member of the committee. I understand that the same financial disclosure requirements and processes were followed for at least the previous 10 years, during which Senator Sam Nunn served as Chairman or Ranking Minority Member. During this period, the committee has confirmed eight Secretaries of Defense (Secretaries Carlucci, Cheney, Aspin, Perry, Cohen, Rumsfeld, Gates, and Panetta), as well as hundreds of nominees for other senior civilian positions in the Department.

There are two unprecedented elements to the financial disclosure demanded by the February 6, letter: (1) the disclosure of "all compensation over \$5,000 that [Senator Hagel has] received over the past five years"; and (2) the disclosure of any foreign funding of eight private entities from which Senator Hagel has received compensation since leaving the Senate (including the date, source, and specific amount of each foreign contribution). Each of these demands goes well beyond what the committee has required of any previous nominee.

With regard to the demand that Senator Hagel disclose all compensation over \$5,000 that he has received over the past five years, the standard financial disclosure form which the committee requires all nominees to provide calls for the disclosure of all entities from which the nominee has received compensation in excess of \$5,000 (including clients for whom the nominee personally provided more than \$5,000 in services, even if the payments were made to the nominee's employer, firm, or affiliated business) during that the previous *two* years. The two-year disclosure requirement that has been consistently applied by the committee is established in section 102(b)(1)(A) of the Ethics in Government Act and applies

not only to all nominees for Senate-confirmed positions, but also to all candidates for federal elective office.

With regard to the demand that Senator Hagel disclose foreign funding for private entities from which he has received compensation, the February 6 letter asserts that this information is needed because "If it is the case that [Senator Hagel] personally [has] received substantial financial remuneration – either directly or indirectly – from foreign governments, sovereign wealth funds, lobbyists, corporations, or individuals, that information is at the very minimum relevant to this Committee's assessment of your nomination."

In fact, the committee questionnaire addresses the issue of foreign affiliations in a manner that is equally applicable to all civilian nominees coming before the committee. Among other questions, the committee questionnaire asks whether, during the last ten years, the nominee or his spouse has "received any compensation from, or been involved in any financial or business transactions with, a foreign government or an entity controlled by a foreign government." Senator Hagel's answer to this question was "No."

The demands of the February 6 letter go beyond this standard disclosure regime and would subject Senator Hagel to a different requirement from all previous nominees, under which he alone would be required to somehow ascertain whether certain entities with whom he has been employed may have received foreign contributions. In particular:

of Directors of the Atlantic Council – a "think tank" that includes among its other Directors and Honorary Directors seven former Secretaries of States and four former Secretaries of Defense. The Atlantic Council's public website provides a diverse list of corporate contributors, including both domestic companies (such as Chevron, General Dynamics, Lockheed, Raytheon, Boeing, Citigroup, Duke Energy, and Exxon Mobil) and foreign entities (such as Polish Telecom, Saab, All Nippon Airways, and the Istanbul Stock Exchange). Over the 16 years that I have served as either Chairman or Ranking Minority Member of the committee, we have considered numerous nominations of individuals who were associated with similar think tanks, universities, and other non-profit entities. Even in the many cases where a nominee received compensation from such a non-profit entity, we did not require the nominee to disclose the sources of funding provided to the non-profit entity.

 Senator Hagel has also served as an Advisory Board Member, Senior Advisor, Director, Special Advisor, or Board Member to seven domestic for-profit entities identified in the February 6 letter since he left the Senate in January 2009. His financial disclosure report and committee questionnaire indicate that he left four of these entities (Wolfensohn & Company, National Interest Security Company, Elite Training & Security, and Kaseman, LLC) in 2010 and has received no compensation from them during the two-year reporting period covered by the Ethics in Government Act. Nonetheless, the February 6 letter demands that Senator Hagel provide ten years of corporate financial data on foreign investments or funding received by these entities. The forms and committee questionnaire indicate that Senator Hagel continues to serve as an Advisory Board Member for Corsair Capital, a Senior Advisor to McCarthy Capital, and a Special Advisor to the Chairman of M.I.C. Industries and that he has received compensation for his service to these three entities. I am doubtful that, as mere advisor to these companies, Senator Hagel has either access to the corporate financial information that is sought in the February 6 letter or the authority to release such information if he were able to get access to it. In any case, over the 16 years that I have served as either Chairman or Ranking Minority Member of the committee, we have considered numerous nominations of individuals who were employed by for-profit entities of every variety. We have considered board members, officers, directors, and employees of companies doing business across the full range of our economy. In this time, we have never required the nominee to attempt to ascertain and disclose the names of investors in such an entity.

The committee cannot have two different sets of financial disclosure standards for nominees, one for Senator Hagel and one for other nominees.

Sincerely,

Carl Levin

cc: Members of the Armed Services Committee